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SUGGESTIONS FOR A STATE BUDGET

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Efficiency and economy in government involve in a large measure the question of budget control, and in the formulation of the budget, as well as in the carrying out of its provisions, the executive and legislative departments of government are brought into close relationship. The budget is the government's fiscal plan; it is the forecast of the receipts and expenditures for a terminable period. It should exhibit the amount of revenue to be raised in accordance with the plan and show the sources from which these funds are to be drawn, as well as the purposes of all expenditures. There must not only be a budget balance—a correlation of the estimated revenues and the expenditures of the state—but the proposed expenditures should be comparable, so that it may be easily determined how much it is proposed to grant for each of the several services. This necessitates the formulation by a central agency of a fiscal policy.

The first essential in the preparation of any budgetary plan involves the assemblage of estimated costs for the fiscal period. These estimates should be prepared by the administrative departments, because they are the most expert in their respective fields and most familiar with the costs which are to be expected to accrue during this time. Consequently the first step in the preparation of the budget involves the submission to a central agency of the departmental estimates. Here they must be so distributed over schedules as to exhibit for the departments and for the state as a whole, the estimated cost of government.

The question of what agency should digest the departmental estimates and recommend the tentative budget to the legislature is important. In parliamentary countries this is, of course, a cabinet function. In some of our cities it is done by an executive officer—the mayor or comptroller. Under the plan for a national budget submitted by the President's committee on economy and efficiency it is to be performed by the administration. It is important that this work be done, if possible, with the cooperation of legislative and administrative officials; otherwise,

the situation met with in France is likely to be confronted, where the estimates of the administrative officials are practically disregarded and the appropriations formulated upon separate studies made by legislative committees. The possibility of having the board of estimates consist of representatives of the administrative and legislative departments is suggested by a law of the last session of the Wisconsin legislature, creating the state board of public affairs. This board consists of the governor, the secretary of state, who is also state auditor, the chairman of the finance committee of both houses, and three members appointed by the governor and approved by the senate.

The actual formulation and passage of the budget and the determination of the funds which will be available for the various services is a legislative function. The basis of their determination are, however, the estimates prepared by the various departments, who are the government's experts in their respective fields. In order that the greatest advantage be taken of the skill and judgment of these officials, it is important that the legislature should hamper them as little as is possible in the formulation and execution of their plans. In order that the departments may work to the best advantage, they should be permitted to a very considerable extent to make plans extending over a period of years and to use the funds allotted to their departments unhampered by detailed legislative restrictions. Satisfactory planning cannot be done upon a year-to-year basis. Just as a private corporation must frequently follow a course which it may take a long time to evolve, so many government services are best cared for on lines which may be developed through a period of years. But permanent plans are only possible under a system of permanent appropriations, and the yearly or biennial appropriation system, followed in many of our States and in the Federal Government, not only invites corruption, but is uneconomical.

Objection is raised to the system of permanent appropriations by those who see in it a derogation of legislative authority. But this method does not take from the legislature at all the power to determine policies by grants of this character. Under the system of annual or biennial grants it is necessary to gain the consent of both houses of the legislature and the governor, at each session, for the continuance of the services. Under the system of permanent appropriations it is necessary to get the consent of these three agencies to effect a change. The question is therefore whether, when the state has definitely embarked upon a policy of a permanent character, the burden of gaining the con-

sent of all three agencies should rest on those who desire a continuance or a discontinuance of this course. I submit that the burden should rest upon those desiring a change in policy and that no injustice is involved in requiring those desiring the change to follow the course taken when the policy was originally adopted. What services are of a temporary and what of a permanent character is, of course, a question for legislative determination, but grants for the support of judicial, semi-judicial and educational institutions are especially of a nature which makes permanent appropriations desirable; so that it is beyond the power of one branch of the legislature or the executive to jeopardize their maintenance. A permanent system of appropriations will tend to take them out of partisan politics and permit them to operate under permanent plans for their most efficient conduct.

A difficulty with the permanent system of appropriations has been that once passed, they remain concealed in the statutes and are not submitted for a periodic review of the legislature, as are the temporary grants. This is not, however, a necessary or desirable feature of this plan. The annual or biennial budget sheet should contain all of the proposed expenditures, whether they are of a temporary or permanent character, and should show in parallel columns the receipts and expenditures of the state as recommended. The expenditures, however, can be easily divided to indicate what are permanent and what are of a temporary nature. Those of the first class, being already provided for by law, need no legislation unless changes are contemplated, while the latter class contains the appropriations yet to be granted. In this way the lawmakers have before them, when they are asked to pass upon the appropriations, the fiscal program which has been prepared and which shows not only the available income of the State but proposed expenditures of every character. Such a plan is followed in the submission of budget estimates in a number of Canadian provinces, and might be indicated as follows:

EXPENDITURES					REVENUES	
SERVICES	APPROPRIATION OF PREVIOUS YEAR	DEPARTMENTAL REQUESTS	RECOMMENDATIONS OF BOARD OF ESTIMATES		SOURCES	AMOUNTS
			Already provided by law	To be provided by law		
A—					A—	
a.....					a.....	
b.....					b.....	
c.....					c.....	
B—					B—	
a.....					a.....	
b.....					b.....	
c.....					c.....	
C—					C—	
a.....					a.....	
b.....					b.....	
c.....					c.....	

The total expenditures recommended will be the sum of the totals of the column "Already provided by law" and of the column "To be provided by law," and must, of course, balance with the amount of revenue it is proposed to raise, and which should be estimated in detail on the budget sheet.

The actual formulation of the budget plan must be done by legislative agencies, but is it desirable that this work be done by a single committee of the legislature in order that it may embrace all projects of revenue and expenditure. For this reason the single joint committee on finance, such as is employed in Wisconsin and Maine, is highly desirable.

The question of the size of an appropriation is a relative one. It is not an absolute question of whether a given service is worth the money, but of how much should be devoted to that purpose, mindful of the total revenue available and the other demands upon the public treasury. The determination of this question is a function of a joint committee of the legislature, which must consider all projects for appropriations and all revenue measures and present recommendations to the legislature which show these expenditures and revenues properly correlated.

In countries with responsible ministries this is a function of the cabinet, which is in fact a committee of parliament. Here the theory of the location of responsibility has resulted in a development which has been

followed in a number of cities and has been recommended for state and national use. When the English budget is reported by the government, it is incompetent for a private member to recommend any increases. But two courses are open to him: He may propose a decrease in the appropriation it is proposed to allow any service, either because in his judgment the grant is too large, or in order to call attention to its insufficiency, or he may introduce a resolution calling upon the cabinet to make a more adequate provision for a designated service. This latter course is seldom followed. No matter how carefully or scientifically the budget is prepared by the finance committee, if irresponsible members may propose changes respecting the various items, the balance is quickly lost and the budget is no longer a carefully constructed fiscal plan, but a crude compromise which has taken its shape on the floor of the houses. The budget of the finance committee should be *prima facie* the budget of the legislature and it should take a conscious effort on the part of the legislature to change it—it should not be subject to change at the whim of individual legislators.

It might be advisable to go even farther than this, and suggest that the budget estimate should not be changed upon the demand of either house of the legislature when the other house is in disagreement. When the two houses of the legislature fail to agree upon any aspect of the budget, it is not unreasonable to provide that the plan of the finance committee, based on careful study and full information, should stand. Such a plan might be put into force by having the budget introduced in the legislature by the finance committee as a single bill, and providing that this bill should be altered only in accordance with the specifications embodied in a joint resolution which should recite the portions of the bill it was desired to amend and state in what way the change was to be effected. Should the joint resolution pass both houses of the legislature, it should be mandatory on the finance committee to make required changes; unless both houses agree to the changes, however, the original plan should stand. In this way any change demanded by the legislature as a whole would be incorporated, but it would not be necessary to warp the fiscal program to supply funds for the projects of the individual legislators.

Lastly, every satisfactory budget system involves an audit—a periodic examination of the departmental accounts to determine with what accuracy and honesty the records have been kept. Whether the audit be conducted by an audit commission, as is done in California, or by an officer holding a permanent position removed from partisan influences,

as in England, or by a permanent and independent bureau of a judicial character, as is done in Germany, it would be advisable for the audit report to be made to the board of estimates. In this way a far greater latitude may be allowed the departmental officers in the use of funds, and lump sum appropriations may be used to a much greater extent without danger of a misuse of public funds. The departmental chiefs may thus be held responsible for the most economical use of the grants for their respective services. The representations of the departments as contained in their estimates and upon which the appropriations were originally granted will be well known to certain members of the board—the chairmen of the finance committees; should there be a deviation from the plan in the actual expenditure of these funds, the departments must show that these changes were made in the interests of the public service, and this representation must be made to the same board which, a few months later, must pass on new estimates of these departments for a new fiscal period. In this way administrative officers are less hampered in the use of departmental funds, but are given the power and may be held responsible for their expenditures in the interests of the public service.

The submission of the estimates, the formulation of the budget plan, the passage of the budget bill and the examination of the departmental expenditures, complete the cycle of a proper budgetary procedure. The plan here suggested is new. As a whole it has never been tried, although nearly every phase has been recognized as a proper feature of an adequate fiscal program. It cannot be expected to work with the perfection attendant upon the English system, since we do not have the same centralized authority and responsibility which accompany their budget system from the time the estimates are prepared through to their adoption and the expenditure of the funds. It is believed, however, that there is here presented a workable budget plan which will permit, without radical changes in our legislative procedure or the relations between the executive and legislative branches, the use of the skill and judgment of the administrative officials to the greatest degree and still keep them responsible to popular control. The legislators and the general public will have before them at all steps of the budget progress full information respecting of the fiscal plan and be able to compare the amount of the anticipated revenue with the proposed expenditures and judge of the advisability of the proposed use of the public funds. These elements are essential to any plan which, through budget control, seeks to establish economy and efficiency in government.